

**07 July 2021**

**J D WETHERSPOON PLC**

## **UPDATE ANNOUNCEMENT**

J D Wetherspoon plc (the “company”) today publishes an update announcement. The preliminary results are due to be released on 1 October 2021.

### **Current trading**

As at 4 July 2021, 850 Wetherspoon pubs were open, out of a total of 860. Most of the closed pubs are at airports.

Between 12 April and 16 May, when only outdoor trading was permitted, about 500 pubs were opened, and like-for-like\* bar and food sales were -49.0%.

Like-for-like sales from 17 May to 4 July, when pubs were fully open, were -14.6%.

For the period from 17 May to 10 June, before the UEFA Euro 2020 football tournament started, like-for-like sales were -8.1%. From 10 June to 4 July, during the tournament, like-for-like sales were -20.8%.

Apart from a limited number of exceptions for individual matches, Wetherspoon pubs have not televised UEFA Euro 2020 football matches.

*(\* like-for-like sales are in comparison with the pre-pandemic financial year of 2019)*

Trading has been helped by the addition of outside seating. Landlords, landowners, and local and licensing authorities have been extremely flexible in accommodating extra outside space - which has helped Wetherspoon and the licensed trade generally.

### **Property**

In the last 6 months, the company has opened two new pubs, in Headingley, a suburb of Leeds, and in Northallerton, North Yorkshire.

The company has a pipeline of 75 projects. 18 are new pubs and 57 are extensions and upgrades to existing pubs.

The first tranche of new pubs and extensions will be located in towns and cities including Birmingham, Newport Pagnell, Heswall, Sheffield, Felixstowe, Dublin, Haverfordwest, Carmarthen and Glasgow.

Once the 75 projects are completed, Wetherspoon plans to invest approximately £750 million on a similar range of projects, in the following 10 years, which may result in the creation of about 20,000 jobs.

### **Financial position**

The company remains in a sound financial position. Net debt was £865 million on 4 July 2021 and is expected to be around £833 million at the end of this financial year.

The company has received covenant waivers, up to and including the quarter to July 2021. The normal EBITDA-related covenants have been replaced with a minimum liquidity threshold of £75 million. Liquidity was £224 million on 4 July 2021 and is expected to be around £253 million at the end of the financial year.

The company proposes to enter discussions with its lenders regarding waivers for the next financial year in due course.

## **VAT**

It is an important principle of taxation that taxes should be fair and equitable.

One area of undoubted unfairness, which creates economic distortions, relates to VAT. Supermarkets pay zero VAT on food, but pubs and restaurants pay 20%, in normal circumstances.

The chancellor reduced VAT on food for the hospitality industry to 5% last year, still above the rate paid by supermarkets, which was nonetheless welcome. However, it is now proposed that VAT returns to 20%, in stages, in the next year.

The interim rise to VAT of 12.5%, in September 2021, will result in Wetherspoon having to increase food prices by around 40 pence per meal. The VAT rise will make the entire hospitality industry less competitive vis a vis powerful supermarkets.

The top three quoted supermarkets (Tesco, J Sainsbury and Wm Morrison) made pre-tax and pre-exceptional profits of £2.361 billion in 2019. The top three pub companies (Mitchells and Butlers, Greene King and Wetherspoon) made £647 million in the same year.

For many years, UK governments have therefore behaved like Monty Python's Dennis Moore - who robbed the poor (in this case pubs and restaurants) to help the rich (supermarkets).

Treating the same product – food - the same way for tax purposes makes economic sense.

Apparent tax benefits to the Treasury, from higher taxes on food for the hospitality industry, are a chimera, since tax distortions cause lower growth.

The main impact of tax inequality is on high streets and town and city centres, which heavily depend on a diversity of prosperous hospitality businesses for economic, social and employment success.

Some of the major licensed trade companies have not, in the past, campaigned for tax equality, possibly due to their historic association with brewers - supermarkets are most brewers' biggest customers.

However, it appears that the chancellor, the Treasury and many MP's are at least aware of the issue. Hence, the short-term reduction in VAT to 5% during the pandemic, exactly reflecting the long-term outcome sought by Wetherspoon, Fullers, Youngs, St Austell and other family brewers.

## **Misrepresentations**

Wetherspoon has almost never requested corrections or apologies from newspapers or broadcasters, with which it has had a close association, in the four decades of its existence, to the start of the pandemic.

However, since March 2020 many misrepresentations and inaccuracies have appeared in the media.

The company has successfully sought corrections and apologies from the organisations concerned.

Corrections and/or apologies were received in 2020 from, among others, The Times, The Daily Mail, Sky News, The Daily Star, the Independent and the Guardian.

Recently, additional corrections and/or apologies have been received from The Daily Telegraph, the Metro, Yahoo Finance and the London Economic, following a slew of erroneous stories which said that the company was suffering a staff shortage and had lobbied the government to relax immigration rules from the EU.

(Please see link to a summary of press apologies and corrections, extracted from the latest edition of Wetherspoon News: [Press apologies and corrections](#) )

## Outlook

The chairman of Wetherspoon, Tim Martin, said:

“The company continues to expect to make a loss for the year ending 25 July 2021.

“In a trading update of 19 January 2021 (please see link: [Further Covid-19 Update, Equity Placing](#)), the company’s principal ‘scenario’ estimated sales in the financial year starting 26 July 2021 to be in line with financial year 2019, which remains our current best estimate, on the basis that restrictions are ended, as the government currently intends.”

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## Notes to editors

1. J D Wetherspoon owns and operates pubs throughout the UK. The company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed, and the company aims to maintain them in excellent condition.
2. Visit our website: [www.jdwetherspoon.com](http://www.jdwetherspoon.com)
3. This announcement has been prepared solely to provide additional information to the shareholders of J D Wetherspoon, to meet the requirements of the FCA’s Disclosure and Transparency Rules. It should not be relied on by any other party, for any other purposes. Forward-looking statements have been made by the directors in good faith, using information available up until the date on which they approved this statement. Forward-looking statements should be regarded with caution, because of the inherent uncertainties in economic trends and business risks.
4. This announcement contains inside information on J D Wetherspoon plc.
5. The current financial year comprises 52 trading weeks to 25 July 2021.